

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 7, 2009**

CALL TO ORDER

Pursuant to due call and notice thereof, a regular meeting of the Shoreview City Council was called to order by Mayor Martin on December 7, 2009, at 7:00 p.m.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance to the flag.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Huffman, Quigley, Wickstrom and Withhart.

APPROVAL OF AGENDA

Mayor Martin requested a discussion of the next workshop date under the *Special Order of Business* portion of the meeting.

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to approve the December 7, 2009 agenda as revised.

ROLL CALL: Ayes - 5 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

There were none.

COUNCIL COMMENTS

Mayor Martin:

A reminder to residents that memberships at the Community Center make wonderful gifts. Memberships are on sale for one year or for three months.

The pervious concrete project that was done last summer in the Woodbridge neighborhood has attained national recognition. Public Works Director Mark Maloney will receive a first place award in the category of General Environmental Initiative from the General Aggregate Ready Mix Association. The City has been notified that it will be receiving the Merit Award from Minnesota Concrete Paving Association; and the American Public Works Association has asked Mr. Maloney to make a presentation at its annual public sustainability conference in June.

Councilmember Huffman:

The Shoreview Northern Lights Variety Band concert will be at Bethel Benson Great Hall on Saturday, December 12, 2009, beginning at 7:00 p.m.

Councilmember Wickstrom:

Tickets for the band concert are available beforehand at \$10.00; on the night of the concert, tickets are \$12.00. Tickets can be ordered online at snlvb.com.

The census will be taken in 2010. Forms will be sent out at the end of March. Those who are out of town for the winter should fill in what they consider to be their permanent address. It is important to fill out the form, as the census could have a big impact on Minnesota. The state may lose a representative in Congress, which would mean the loss of millions of dollars in federal funding.

On December 17, 2009, at 6:30 p.m., there will be a program at City Hall in the Council Chambers about opportunities and problem solving for environmental changes. The program is open to everyone.

CONSENT AGENDA

Item No. 6 was pulled for separate discussion. Councilmember Wickstrom asked if all license applicants are current on utility bills. Mr. Schwerm responded that information is checked as part of the application process and all are current and paid.

MOTION: by Councilmember Quigley, seconded by Councilmember Huffman to adopt the consent agenda of December 7, 2009 approving the necessary motions and resolutions:

1. November 9, 2009 City Council Workshop Meeting Minutes
2. November 16, 2009 City Council Meeting Minutes
3. Receipt of Committee/Commission Minutes:
 - a. Human Rights Commission, September 23, 2009
 - b. Environmental Quality Committee, October 26, 2009
 - c. Planning Commission, October 27, 2009
 - d. Public Safety Committee, November 19, 2009

- e. Environmental Quality Committee, November 23, 2009
4. Verified Claims in the Amount of \$968,457.91
5. Purchases
6. License Applications
7. Developer Escrow Reduction
8. Payment #3 (Final) – 2009 Sanitary Sewer Lining Project, CP 09-05

VOTE: Ayes - 5 Nays - 0

PUBLIC HEARING

BUDGET HEARING - REVIEW OF 2010 BUDGET, TAX LEVY AND CAPITAL IMPROVEMENT PROGRAM

Mayor Martin stated that as early as last March in a goal-setting session, the Council discussed putting a bigger emphasis on reviewing the City's fund balances to determine appropriate fund balance levels on every fund in the City and establish five-year operating projections for each fund. This long-range planning enables the Council to present a budget that does not have large increases but functions with incremental, small changes. The Council has held a number of workshops since the preliminary levy was approved in September. The levy presented at this hearing shows a reduction of about \$140,000 from the original figure approved as the preliminary tax levy.

Presentation by City Manager Terry Schwerm

City Manager Schwerm referred the Council and residents attending to the *2010 Budget Summary* booklet made available at this meeting to follow the presentation. He summarized the budget objectives:

- Balance General Fund budget with expenditures equal to revenues;
- Address loss of \$320,000 in state aid for 2010--through the Governor's unallotment;
- Maintain existing services and programs through efficient use of tax dollars within the levy limit
- Reduce utility fund operating losses—sewer and water have been operating at a loss over the last several years;
- Meet debt obligations;
- Replace infrastructure in a timely manner;
- Continue long-term replacement planning;
- Expand operating fund planning to 5 years;
- Protect and enhance parks, lakes and open space areas; and
- Maintain the City's bond rating that was recently upgraded to AA+;
- Position the City to effectively address future challenges and opportunities through revitalization of neighborhoods, encourage reinvestment, assist redevelopment opportunities, and utilize technology to improve services and communications.

The total net tax levy for Shoreview in 2010 is \$8,685,000, a 3.8% increase in levy collections. After subtracting the lost market value homestead credit and adding fiscal disparities, the actual tax increase is 3.1%. Shoreview will receive \$832,802 from fiscal disparities, a revenue sharing pool in the metro area. Shoreview is a gainer in that program and receives more money than it puts in. The taxable value in the community has dropped 5.8%. The County divides the total market value in the City by the levy to calculate the tax rate. The tax rate in 2010 is a 9.8% increase. After deducting the market value credit loss, the tax rate increase is 9.2%. The levy is \$210,000 under the levy limit permitted by state law.

Items impacting the levy include:

- State aid cuts of \$320,000;
- Revenue losses with less development and permit earnings;
- Public safety cost increase of \$54,000: the Sheriff's contract is up 2.5%; the Fire Department is up 6.7%, which phases in an Assistant Fire Chief and duty crew to cover weekends and evenings;
- Central garage charges to operate and maintain equipment are increasing by \$46,000;
- Cost of a general election \$28,000;
- General operating costs show a variety of increases within general operating funds across departments that are up by \$51,000 (for salary adjustment, health insurance costs; and liability insurance for the City.

The City has been proactive in assuming it would not receive aid from the state and made adjustments to expenditures and revenues last March of more than \$200,000 in an effort to offset the loss of market value homestead credit. However the Street Renewal and General Fixed Asset levy are both increasing by \$50,000. It was planned to increase the street renewal levy by \$100,000, but \$50,000 was saved by extending the seal coating program out an additional year, which will also lessen planned increases in future years. The Capital Improvement levy is up by \$10,000. The total change in the levy is an increase of \$321,000.

Budget reduction strategies include:

- Using an increased maintenance share amount of MSA funds—state funds available through the gas tax and received based on collector street system in the City;
- Reduce staff by one maintenance worker through a staff retirement;
- Allocation of staff cost to the Economic Development Authority through the HRA levy;
- Revise utility fund transfers with policy to base transfers on a percentage of asset value;
- Increase rental licensing fees;
- Reduce forestry plantings;
- Associate staff reductions in the summer for parks and recreation;
- Contract savings with copier and newsletter;
- Elimination of contingency allowance;

- Reduce support for recreation programs;
- Planned growth in street renewal was cut from \$100,000 to \$50,000.

Presentation by Finance Director Jeanne Haapala

The County has determined that a median house value in Shoreview is \$262,200. The total property tax at that value in 2010 would be \$3,249. City taxes on a median-valued home would be \$690 (approximately 21% of the total tax bill). This is based on the reduced levy from the preliminary levy that is now proposed. Other taxing jurisdiction levies shown on the property tax statement include Ramsey County, County Regional Trails, School District, School District referendum levies, Metropolitan Council, Mosquito Control, Rice Creek Watershed, and HRA.

In comparing Shoreview to 28 other metro-area cities based on population (14 immediately smaller and 14 immediately larger than Shoreview) for the year 2009, Shoreview is the fourth lowest in the comparison and is 29% below the average of these communities for the City portion of taxes. This comparison does not take into account market value homestead credits because that allocation varies from city to city. Over a 10-year period, Shoreview's ranking has improved in relation to comparison cities. In the year 2000, Shoreview was 22% below the average, and is 29% below the average for 2009.

The percentage breakdown of the levy for City taxes is:

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|----------------------------|-----|
| • General government | 10% |
| • Public Safety | 27% |
| • Public Works | 8% |
| • Parks and Recreation | 21% |
| • Community Development | 3% |
| • Miscellaneous | 1% |
| • Debt Service | 8% |
| • Capital Improvement Fund | 1% |
| • Replacement funds | 21% |

The General Fund receives \$6.2 million from taxes. Intergovernmental revenues in the budget do not reflect market value homestead credit state aid but do include MSA funds for maintenance of streets. Other revenue that makes up the General Fund comes from licenses and permits, service charges, fines and forfeits, interest earnings, interfund transfers. In anticipation of the loss of state aid, funds were set aside in 2008 and are being used this year to balance the budget between revenues and expenditures.

Approximately 10 years ago, the limited market value program in Minnesota created two home values. The value that the County estimated the property was worth, and the value for tax purposes (where the growth in the value was limited). This created a gap between the two home values over time. This policy is being phased out and property values and 2010 is the last year of the phase out. Some residents are still receiving tax statements with increases to close that gap.

The County shows that 17 single-family homes in Shoreview will see an increase in value; 1,142 homes show no change in value; and the rest of single-family homes in Shoreview will see a decrease in value.

The change in the City portion of the tax bill between years varies depending on the change in value, because the tax rate for the City is multiplied times the value of each property in each year. The median valued home in Shoreview at \$262,200 is decreasing 4.9% from 2009, but the tax rate is a 4.2% increase. The result is a \$28 per year increase in the City portion of the tax on a median home.

Capital Improvement Program

The CIP is a planning document for replacement of expensive infrastructure. The document does not authorize specific projects. The current CIP shows planned projects for 2010 through 2014. Major projects in the CIP for 2010 include the annual allotment for seal coating at \$290,000 (reduced significantly by extending the seal coating program an additional year), a major reconstruction of Hawes, Demar and Rustic Place, and the Maintenance Center renovation. The budget for the Maintenance Center work is \$5.5 million. The amount in the CIP is \$6.5 million to insure flexibility when the bonds come in. Rehabilitation of lift stations in the City has been done in the last several years, and in 2010, the final stage of this project will be completed. The CIP also includes major equipment replacements, such as the new street sweeper that can be used with pervious concrete.

Ms. Haapala stated that there is a booklet for 2010 that summarizes the budget, which is available on the City website and in the lobby of City Hall. This booklet is available all year. Anyone can call and have one sent. There are also booklets on capital improvement planning and utility funds.

There is an appeal process for anyone who disagrees with the value set on a property. The process is described on the reverse side of the estimated tax statement. The best time to appeal is when the value is established in the spring. It is still possible to appeal the value, but property owners would need to apply to the tax court. If property owners feel that their value is too high, then it is best to appeal in the Spring. The back of the estimated tax statement also includes information on programs for refunds and referrals.

This budget is scheduled for final approval at the December 21st Council meeting.

Mayor Martin opened the public hearing at 7:46 p.m. She invited public comment and questions and stated that all questions will be noted and answered at the end of the public hearing.

Mr. Robert Higgins, 951 Oakridge, asked why homestead credit is not on his tax statement. He expressed frustration with state and federal unfunded mandates and the need for the Council to be vocal against them to properly manage the taxpayers' money. The states have rights and they need to be exercised. He was very frustrated to hear the Maintenance Center renovation will be

\$6 million. He does not want to see a half million dollar pipeline that will not stop milfoil and flying carp to pollute all the lakes in the City. The existing pipeline is an environmental nightmare. The pump on Turtle Lake is turned off and the lake level is sinking. People in Shoreview who can afford to live someplace else are moving because taxes are so high.

Ms. April King, Pinewood Drive, stated that she lives in Edgetown Acres. She would like to know if it is the City's responsibility to maintain trails in the Rice Creek Nature Preserve. She asked the total City debt as of now and stated the City should not take on any more debt. She believes there is a plan to put in curbs in Edgetown Acres, but the project is not in the CIP plan. She seconded Mr. Higgins comment to stand up to the state and federal government. If money is not provided, programs cannot be done. No more debt.

Mr. Paul Walker, Reiland Lane, asked what services have been cut. He suggested closing the Community Center or the library one day a week for savings rather than trying to maintain all these services.

Mrs. Linda Sharkey, noting that the City is 98% built, asked why there are two City Planners.

MOTION: by Councilmember Quigley, seconded by Councilmember Huffman to close the public hearing at 7:55 p.m.

VOTE: Ayes - 5 Nays - 0

The Council and staff responded to questions:

Mayor Martin stated that this Council has worked hard to try to make cuts being asked about. What does unallotment mean? In 2008, the City was scheduled to receive \$180,000 of market value homestead credit from the state. This was money that was already budgeted. It is not really state aid but is market value homestead credit for homes valued under \$400,000. This is a legislative property tax credit. The City is the conduit for that credit and receives that money to provide credit to those taxpayers in those homes. When the City did not receive it, the City had to make up that difference. The \$320,000 levy increase for 2010 is almost the same amount of the planned loss in market value homestead credit. In February and March, 2009, the Council reduced the budget by \$293,000 in an effort to make up for continued loss of market value homestead credit. This Council sat at meeting after meeting this year to work on the budget and do the best thing possible for the people who live in this community. The Council is pleased with the result. The Council has talked to the Governor and legislators about market value homestead credit many times, but it was unallotted anyway. Not enough services can be cut to make up for a \$320,000 loss this year.

In response to Mr. Higgins, homestead credit would not be on the property tax statement. Mr. Schwerm stated that with respect to state and federal mandates, the Council tries to be proactive. The Council meets with legislators once a year to inform them of City priorities. The City belongs to the League of Minnesota Cities and the Municipal Legislative Commission. Both of

these organizations advocate for all cities with respect to mandate relief. They are a bigger voice than Shoreview alone and have been successful in reducing burdens. Shoreview and other communities were successful in reducing tiered residential tax rates. Otherwise, taxes would be much higher.

The Snail Lake augmentation project began in early 1990. It is existing infrastructure of which 45% of the augmentation cost is borne by homeowners on Snail Lake for that project. It was a value judgment made at the time because Snail Lake is particularly susceptible to water loss.

The City is planning an expansion and renovation of the Maintenance Center in 2010 with a projected budget of \$5.5 million. If that project were not in place, the City would be looking at spending \$1 to \$2 million just for deferred maintenance work, such as a new roof and new air handling systems that are over 25 years old. The building has code deficiencies. Because of the positive bidding climate, the project includes minor renovations for additional office space and an adequate mechanics area. The timing of the project will coincide with a planned drop in the City's debt service levies in 2011 and 2012, which will minimize the financial impact to homeowners.

In response to Ms. King, Rice Creek Trails were constructed by the City, when a federal grant was received that covered 80% of the cost. Shoreview paid the remaining 20%. The trails are in Ramsey County Open Space, and the County is responsible for their maintenance. There is a plan for street reconstruction in Edgetown Acres to address storm water with curb and gutter installation, but it will not occur in the next five years. It is planned for 2017 or 2018. The debt levy proposed for next year is \$565,000, which is \$.08 on each City dollar of tax.

Councilmember Withhart noted that the City of Shoreview has a low level of debt, which is part of the reason for the City's high bond rating. Ms. Haapala added that the general obligation debt balance for the end of 2009 is approximately \$13 million. In the State of Minnesota, there is a statutory limit on the amount of debt that the City can carry at any given time. The limit is a percentage of the total market value in the City. At this time, Shoreview is using 8.4% of its debt limit. That means 91.6% is not being used. That is a favorable statistic.

Councilmember Huffman asked what is included in the \$13 million. Ms. Haapala answered that it covers street improvements bonds, fire station bonds, improvement bonds, tax increment debt supported by tax increment receipts and the Community Center expansion.

In response to Mr. Walker and cutting services, Mr. Schwerm stated that the City did a combination of cuts and revenue adjustments. The City eliminated a brush drop-off program on Saturdays when the County opened drop-off sites. Also, motor oil can be recycled at the Ramsey County Maintenance building in Arden Hills, and the City stopped that program. The program for residents to buy trees at wholesale cost was dropped. With the expected presence of ash borer, that program may be revisited. There have been staff reductions in the past few years.

The hope is to not change service levels. Residents still want streets plowed. The Community Center budget is 90% supported by user fees. Closing it one day a week would likely cost the City more money than any potential savings.

Councilmember Withhart noted that there was a suggestion to close the library. Actually the library is operated by the County, not Shoreview. The City has been fighting to keep it open because of its heavy use, even though the County is struggling to find funds.

Mr. Walker stated that he is retired. His wife works at the University where there has been no salary increase last year, this year or next year. He asked what salary increases are built into the budget for City employees. Mr. Schwerm responded that the salary adjustment for next year is proposed at 1% for employees at Step 6, which is the maximum step in the City's step system. Others in the step system will continue to get their step increase. Last year the salary adjustment was 3%.

Councilmember Huffman noted that with the health insurance contribution, the adjustment is closer to 1.5% to 2%.

In response to Mrs. Sharkey, Mayor Martin stated that the City looks for job-share opportunities with other communities if staff were not busy. However, there continues to be building expansion requests, variances and code enforcement with home foreclosures. Mr. Schwerm added that in the last year the Economic Development Authority (EDA) was formed, which has taken a substantial amount of staff time from the Community Development Director and City Planner. The EDA is looking at establishing new programs such as housing rehab loans and first-time homebuyer loans. The EDA is staffed from the Community Development Department.

Councilmember Huffman stated that there are over 100 homes in foreclosure and they often have code maintenance issues.

Mr. Higgins asked if the HRA works with foreclosures. Mr. Schwerm stated that is handled by Community Development staff.

Mayor Martin stated that anyone with specific questions about their property taxes can call the City's Finance Department for follow-up on those questions.

Councilmember Wickstrom asked if there are other impacts the City might experience through unallotment with more unexpected loss of money in light of the state budget. Mr. Schwerm stated that the only other type of aid not received directly by the City would be the police or fire pension funds. The gas tax money is constitutionally dedicated.

Councilmember Huffman asked the reason for the difference in the projected cost of \$5.5 million for the Maintenance Center, but the CIP shows \$6.5 million. Mr. Schwerm explained that the \$6.5 million amount is a placeholder in the CIP in the event that the bids are extraordinarily high. If the cost is significantly higher, the project would likely be back to the drawing board.

Mayor Martin stated that not all Councilmembers agree on the Maintenance Center improvements, but the majority of the Council felt that because of the roof and other deferred maintenance issues and the fact that the building was built in 1975 there are serious deficiencies. The needs do not go away and because of the competitive bidding process this would be a good time for needed changes to be done. This will not go on the tax rolls and is not part of the levy for another year.

Councilmember Quigley asked if fiscal disparities are expected to be impacted. Mr. Schwerm stated that as property values decline, there could be an impact. The distribution is based on how Shoreview commercial and industrial values compare with other metro area cities. He estimated that the fiscal disparities contribution would continue to be fairly constant. He does not anticipate the legislature changing it.

Councilmember Huffman noted that collectively we all elect our state and county officials and governor. If people do not like the way money is being spent, the responsibility rests on all our shoulders, the Council and citizens.

Councilmember Withhart stated that a market value credit for a home valued under \$400,000 is a nice tax break. However, in the last few years, the tax break did not come from the state--it came from the City. The City gets money from property taxes and pays down residential property taxes.

Councilmember Wickstrom stated that when the 2002 tax changes were passed, they were hidden for a long period of time because there was no change to property taxes. The problem was shoved down the line. The Council has discussed this with legislators over and over.

Mayor Martin noted also that the State of Minnesota has different issues and legislators from different areas with different clout. Legislators representing Shoreview must still deal with outstate representatives who have a whole different agenda.

GENERAL BUSINESS

RENEWAL OF LAW ENFORCEMENT AGREEMENT WITH RAMSEY COUNTY

The Cities of Shoreview, Arden Hills, Little Canada, North Oaks, Gem Lake, Vadnais Heights and White Bear Township contract for law enforcement services with Ramsey County. The contract expires at the end of 2009. Since the early 1990s, the contract formula was based on how many cars were in the community. For the past two years, 20% of the formula has been based on the number of calls for services, which has worked in Shoreview's favor. The new contract is for three years—2010 through 2012. Staff is recommending approval. This cooperative agreement has saved the City millions of dollars over the years not having to pay for its own police department.

Councilmember Wickstrom asked if the added water patrol requested by people who live on lakes is included. Mr. Schwerm stated that has been in the budget since the late 1980s.

Councilmember Huffman asked if there is an opt-out provision in the three-year agreement. Mr. Schwerm stated that once the agreement is signed, the City would have to give a one-year notice to opt out.

MOTION: by Councilmember Withhart, seconded by Councilmember Huffman to approve Resolution No. 09-106 renewing a 3-year agreement with Ramsey County for the provision of law enforcement services by the Ramsey County Sheriff's Department.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
Nays: None

APPROVAL OF AGREEMENTS - COMMUNITY CENTER LIQUOR PROVIDERS

Mr. Jerry Haffeman, Park and Recreation Director, stated that the City's liquor provider contract for the Community Center expires at the end of 2009. Three responses were received from requests for proposals and evaluated. Staff also met with each bidder individually. The recommendation is to contract with Green Mill and Jimmy's Conference and Catering to provide liquor services for rentals of Community Center rooms. The contract is for two years.

Mr. Schwerm stated that by contracting with two providers, potential renters will have a choice for their event. The Green Mill and Jimmy's Conference and Catering both have banquet facilities themselves and are familiar with the professional services needed. If approved, staff recommends subject to final approval of the agreement by the City Attorney.

Councilmember Wickstrom asked if the Big Ten Sports Bar would be able to continue to provide for events. Mr. Schwerm stated that they would not be one of the exclusive liquor providers. However, if they have existing agreements with anyone for an event, they would be allowed to serve that event.

Councilmember Withhart commended staff for recommending two providers. One party contacted him to register dismay that there was only one choice for this service.

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to authorize the execution of liquor provider agreements with the Green Mill and Jimmy's Conference and Catering.

ROLL CALL: Ayes: Quigley, Wickstrom, Withhart, Huffman, Martin
Nays: None

PERSONNEL ORDINANCE REVISION TO MUNICIPAL CODE SECTION 303

Mr. Schwerm reported that one area the city lags regarding benefit levels for employees is the number of holidays offered. Other cities offer an average of 11.7 holidays per year. Shoreview currently offers 11. The proposed ordinance amendment would add Christmas Eve as an official holiday for the City. If Christmas falls on Saturday or Sunday, a floating holiday would be allowed in those years.

MOTION: by Councilmember Withhart, seconded by Councilmember Huffman to adopt Ordinance 860 revising Section 303.245 of the Shoreview Municipal Code relating to holidays.

ROLL CALL: Ayes: Wickstrom, Withhart, Huffman, Quigley, Martin
Nays: None

SPECIAL ORDER OF BUSINESS

Mayor Martin noted that two Councilmembers will be unable to attend the workshop meeting on Monday, December 14th, when the Council is scheduled to have a joint meeting with the Fire Department and Telecommunications Committee.

It was the consensus of the Council to hold a workshop meeting with the Fire Department before the next regular Council meeting on December 21, 2009, at 5:30 p.m. A joint meeting with the Telecommunications Committee will be postponed to the January workshop.

ADJOURNMENT

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to adjourn the meeting at 8:47 p.m.

ROLL CALL: Ayes - 5 Nays - 0

Acting Mayor Withhart declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 21st DAY OF DECEMBER 2009.

Terry C. Schwerm
City Manager